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USSR Weekly Review

13 October 1977

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Note: As a result of a reorganization, effective 11 October 1977, intelligence publications formerly issued by the Directorate of Intelligence and by the National Intelligence Officers are now being issued by the National Foreign Assessment Center. Publication covers and titles have been adjusted to reflect this change. This publication was formerly titled *The USSR Regional and Political Analysis*.

This publication is prepared by the USSR Division, Office of Regional and Political Analysis, with occasional contributions from other offices within the National Foreign Assessment Center. The views presented are the personal judgments of analysts on significant events or trends in Soviet foreign and domestic affairs. Although the analysis centers on political matters, it discusses politically relevant economic or strategic trends when appropriate. Differences of opinion are sometimes aired to present consumers with a range of analytical views. Comments and queries are welcome. They should be directed to the authors of the individual articles or to

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USSR: Purchase of Large Methanol Plants

The USSR recently purchased two methanol plants with a combined value of \$275 million from a British firm. The purchase of these plants--a first for the USSR--shows Moscow's desire to diversify and expand its energy base.

The plants will have a combined annual capacity of 1.5 million tons and will be the world's largest using a natural gas feedstock. The use of natural gas as the feedstock for these plants is consistent with the USSR's intent to substitute alternative fuels for oil. One plant will be located at Gubakha in the Urals and the other at Tomsk in Siberia. Both plants are due to come on stream in 1981 and will roughly double existing Soviet methanol production capacity.

Methanol can be made from a variety of materials and is widely regarded as a possible successor to gasoline. Poland, for example, is currently engaged in a program to use methanol as a motor fuel extender. It recently conducted successful automotive tests using 15-20 percent methanol/gasoline mixtures, an amount that will not require major engine modifications. In the United States, legislation is being suggested that would require a federal agency to operate its passenger vehicles on methanol blended fuels to spur research and development of this energy source. Methanol can also be used in a variety of industrial applications and may have a potential as a fuel for electric power plants.

Initially, the USSR plans to export about 300,000 tons of methanol annually from the new plants and use most of the remainder for various applications in the building industry. Future plans appear to emphasize the use of methanol as a source of protein for animal feed and as a gasoline additive. The extent to which the USSR will increase the use of methanol as an alternative to gasoline is still uncertain. The Soviets have been testing other potential fuels, such as hydrogen gas, as a substitute for gasoline in Moskvich and Zhiguli cars.

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The sharp increase in Soviet production of methanol will do little, however, to offset energy shortages the Soviets are likely to face in the mid-1980s. Even if the USSR used all of the newly produced methanol (less exports) as a gasoline additive, it would result in a savings of only about 25,000 barrels of oil per day, less than 1 percent of estimated Soviet consumption in the mid-1980s.

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